



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Baguio City

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **January 11, 2023** which reads as follows:*

“G.R. No. 261277 (City Government of Valenzuela, represented by its City Mayor, Hon. Sherwin T. Gatchalian, Petitioner v. B. Cristina Trading, Inc. and Philmay Property, Inc., Respondents). – The Court **NOTES** the compliance with the Resolution dated July 27, 2022 by counsel for petitioner, submitting the soft copy in PDF of the Motion for Extension of Time together with the Verified Declaration and Affidavit of Service.

Assailed in this Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court are the Decision² dated December 1, 2021 and the Resolution³ dated May 31, 2022 of the Court of Appeals (CA) in CA-G.R. CV No. 115606, which affirmed the Decision⁴ dated October 13, 2014 and the Order⁵ dated April 25, 2016 of the Regional Trial Court of Valenzuela City, Branch 171 (RTC) setting the just compensation for the expropriated lot in the amount of ₱30,000,000.00, or ₱6,000.00 per square meter (sq. m.).

The Facts

Respondent B. Cristina Trading, Inc. (Cristina Trading) is the registered owner of a vacant lot with an area of 5,000 sq. m. located in M.H. Del Pilar Street, Malanday, Valenzuela City (subject property) covered by Transfer Certificate Title (TCT) No. T-216467 and declared under Tax Declaration No. C-014-00178.⁶ The subject property was subsequently acquired by respondent Philmay Property, Inc. (Philmay) in a foreclosure sale for which a Certificate of Sale⁷ was issued in its favor. Said acquisition by Philmay was annotated in TCT No. T-216467 as Entry No. 142731.⁸

In view of petitioner City Government of Valenzuela’s (petitioner) plan to construct a public school in Barangay Malanday, petitioner offered to

¹ *Rollo*, pp. 8–21.

² *Id.* at 32–41. Penned by Associate Justice Ruben Reynaldo G. Roxas and concurred in by Associate Justices Ramon A. Cruz and Angelene Mary W. Quimpo-Sale.

³ *Id.* at 29–30.

⁴ *Id.* at 52–60. Penned by Presiding Judge Maria Nena J. Santos.

⁵ Not attached to the *rollo*.

⁶ *Rollo*, p. 52.

⁷ *Id.* at 33.

⁸ *Id.* at 52.

purchase the subject property from Philmay at ₱3,000,000.00 or ₱600.00 per sq. m., pursuant to its market value as reflected on its current tax declaration.⁹ On October 19, 2011, after failed negotiations, petitioner filed with the RTC a Complaint¹⁰ for the expropriation of the subject property. Petitioner maintained that the city has allocated a budget of ₱3,000,000.00 for the purchase of said subject property and that it is ready. It also maintained that pursuant to Section 19 of Republic Act No. (RA) 7160,¹¹ it is willing to deposit 15% thereof in the amount of ₱450,000.00.¹²

In response, Philmay acknowledged petitioner's due exercise of its power to expropriate but averred that the basis of petitioner's offer was the subject property's fair market value based on its current tax declaration, which is for the year 1994, or already 17 years ago. In the meantime, Maybank Philippines, Inc.'s Inspection and Appraisal Report dated November 16, 2011 already classified the subject property as commercial and industrial lot valued at ₱6,800.00 per sq. m.¹³

As the only dispute was the amount of just compensation, and upon a finding that respondent already made an initial deposit of ₱450,000.00, the Court issued a writ of possession in favor of petitioner in an Order dated May 23, 2012. Thereafter, in an Order dated November 14, 2012, a Board of Commissioners was formed to determine the just compensation to be paid by petitioner. The members thereof were Retired Judge Benjamin Aquino (Judge Aquino) for petitioner, Mr. Samuel Quiniano (Quiniano) for Philmay, and Ms. Osita De Guzman (De Guzman).¹⁴

On March 20, 2013, Judge Aquino submitted a Report¹⁵ stating that they could not unanimously agree on the amount of just compensation. In particular, just compensation was pegged by Judge Aquino at ₱3,500.00 per sq. m., De Guzman at ₱6,000.00 per sq. m., and Quiniano at ₱6,100.00 per sq. m.¹⁶

The RTC Ruling

In a Decision¹⁷ dated October 13, 2014, the RTC fixed the just compensation of the subject property in the amount of ₱30,000,000.00, or ₱6,000.00 per sq. m. Accordingly, petitioner was ordered to pay Philmay the remaining balance of the just compensation for the subject property in the

⁹ Id. at 53.

¹⁰ Id. at 42–48.

¹¹ Entitled "AN ACT PROVIDING FOR A LOCAL GOVERNMENT CODE OF 1991," otherwise known as the "LOCAL GOVERNMENT CODE OF 1991" (January 1, 1992).

¹² *Rollo*, p. 33.

¹³ Id. at 53.

¹⁴ Id. at 54.

¹⁵ Id. at 50–51.

¹⁶ Id. at 51.

¹⁷ Id. at 52–60. Penned by Presiding Judge Maria Nena J. Santos.

amount of ₱29,550,000.00 with 12% legal interest per annum computed from October 19, 2011, the time the Complaint was filed, and 6% per annum from July 1, 2013 until full payment of the amount due.¹⁸

In arriving at said amount, the RTC took note of the following: (1) the subject property was classified as commercial as opposed to its classification as residential in the year 1994; (2) there was an increased valuation of the lots in the area from ₱600.00 per sq. m. to ₱5,600.00 per sq. m. all throughout 1994 to 2008, while the subject property was still classified as residential, although there was no significant movement on its valuation even if it was classified as industrial/commercial as its current valuation is only at ₱6,100.00 per sq. m.; (3) the value of the land increased due to new businesses that sprouted in the area through the years; (4) there are already small commercial/industrial establishments in the area signifying the possibility that it will eventually be a commercial/industrial district; (5) the Market Data Approach and the Opinion Survey Report relied upon by Quiniano indicate that the purchase price of properties along the same area ranges from ₱5,000.00 to ₱7,000.00 per sq. m.; and (6) the location of the subject property is a flood-prone area and below the street level which would require petitioner to fill it up for at least a meter and half.¹⁹

Petitioner moved for reconsideration, which was denied by the RTC in an Order dated April 25, 2016.²⁰

Aggrieved, petitioner appealed to the CA.

The CA Ruling

In a Decision²¹ dated December 1, 2021, the CA upheld the RTC ruling. The CA held that the RTC correctly fixed the amount of just compensation at ₱6,000.00 per sq. m. using as bases the individual reports of the members of the Board of Commissioners and its own observations in line with the standards set by Section 5 of RA 8974²² in determining the value of a piece of land expropriated for government infrastructure, and consistent with its power of judicially determining the amount thereof. It likewise held that, while tax declarations may carry evidentiary value as admission against the interest of the tax-declaring party, the value of such property as declared by the owner is not the sole basis for determining the just compensation. The Court notes that in this case, it was actually Cristina Trading, as original owner of the subject property, which undervalued the same. Moreover, petitioner's plea to reduce

¹⁸ Id. at 59–60.

¹⁹ Id. at 57–59.

²⁰ Id. at 32.

²¹ Id. at 32–41.

²² Entitled "AN ACT TO FACILITATE THE ACQUISITION OF RIGHT-OF-WAY, SITE OR LOCATION FOR NATIONAL GOVERNMENT INFRASTRUCTURE PROJECTS AND FOR OTHER PURPOSES," approved on November 7, 2000.

just compensation to compensate for the subject property's tax deficiencies is mislaid, as just compensation is independent of the obligation to pay realty taxes, or any deficiency thereof. More so, this matter was only issued on appeal, thus, the same cannot be considered by the CA.²³

Petitioner moved for reconsideration, which was denied by the CA in a Resolution²⁴ dated May 31, 2022. Hence, this Petition.

The Issue Before the Court

The issue before the Court's resolution is whether or not the CA correctly ruled that the RTC correctly pegged the just compensation of the subject property at ₱30,000,000.00, or ₱6,000.00 per sq. m.

The Court's Ruling

The Petition lacks merit.

At the outset the Court clarifies that the CA's reliance on Section 5 of RA 8974 as standards to be observed by the RTC in the determination of just compensation is misplaced. As may be gleaned from Section 2²⁵ of RA 8974, the law is meant to cover the acquisitions of right-of-way, site or location for infrastructure projects of the national government,²⁶ not local governments. As provided under Section 1 of the Implementing Rules and Regulations (IRR) of RA 8974, the law pertains to acquisitions undertaken by any department, office, and agency of national government, including any government-owned or -controlled corporation or state college or university. In Section 2 (b) of the same IRR, it defined the implementing agency as "any department, bureau, office, commission, authority, or agency ***of the national government***, including any government-owned or -controlled corporation or state college or university, authorized by law or its respective charter to undertake national government projects." Accordingly, RA 8974 is not applicable in this case, wherein it is the City of Valenzuela, a local government unit, which seeks to acquire a site or location for infrastructure

²³ *Rollo*, pp. 36-40.

²⁴ *Id.* at 29-30.

²⁵ Section 2 of RA 8974 reads:

Section 2. *National Government Projects.* – The term "national government projects" shall refer to all national government infrastructure, engineering works and service contracts, including projects undertaken by government-owned and -controlled corporations, all projects covered by Republic Act No. 6957, as amended by Republic Act No. 7718, otherwise known as the Build-Operate-and-Transfer Law, and other related and necessary activities, such as site acquisition, supply and/or installation of equipment and materials, implementation, construction, completion, operation, maintenance, improvement, repair, and rehabilitation, regardless of the source of funding.

²⁶ See *Republic v. Gingoyon*, 514 Phil. 657 (2005).

project; rather it is Section 19 of RA 7160 and Rule 67 of the Rules of Court which should apply.

Section 19 of RA 7160 provides for the power of eminent domain of local government units “for public use, or purpose, or welfare for the benefit of the poor and the landless.” But unlike Section 5²⁷ of RA 8974, which sets specific standards for the assessment of the value of the land subject of expropriation, Section 19 of RA 7160 merely provides that the payment of just compensation of the expropriated property must be based on its fair market value at the time of the taking. Just compensation is further defined by case law as “the sum equivalent of the market value of the property, broadly described as the price fixed in open market by the seller in the usual and ordinary course of legal action or competition, or the fair value of the property as between one who receives and who desires to sell it, fixed at the time of the actual taking by the government.”²⁸ Accordingly, the nature and character of the land, the condition of the property and its surroundings, as well as its capabilities, must be considered.²⁹

Notably, while Section 19³⁰ of RA 7160 confers the power of eminent domain to local government units, the procedure on the exercise of said power is governed by Rule 67 of the Rules of Court.³¹ In the determination of just

²⁷ Section 5 of RA 8974 reads:

Section 5. *Standards for the Assessment of the Value of the Land Subject of Expropriation Proceedings or Negotiated Sale.* – In order to facilitate the determination of just compensation, the court may consider, among other well-established factors, the following relevant standards:

- (a) The classification and use for which the property is suited;
- (b) The developmental costs for improving the land;
- (c) The value declared by the owners;
- (d) The current selling price of similar lands in the vicinity;
- (e) The reasonable disturbance compensation for the removal and/or demolition of certain improvement on the land and for the value of improvements thereon;
- (f) This size, shape or location, tax declaration and zonal valuation of the land;
- (g) The price of the land as manifested in the ocular findings, oral as well as documentary evidence presented; and
- (h) Such facts and events as to enable the affected property owners to have sufficient funds to acquire similarly-situated lands of approximate areas as those required from them by the government, and thereby rehabilitate themselves as early as possible.

²⁸ See *Rebadulla v. Republic*, 824 Phil. 982 (2018).

²⁹ *Id.*

³⁰ Section 19 of RA 7160 reads:

SECTION 19. *Eminent Domain.* — A local government unit may, through its chief executive and acting pursuant to an ordinance, exercise the power of eminent domain for public use, or purpose or welfare for the benefit of the poor and the landless, upon payment of just compensation, pursuant to the provisions of the Constitution and pertinent laws: *Provided, however,* That the power of eminent domain may not be exercised unless a valid and definite offer has been previously made to the owner, and such offer was not accepted: *Provided, further,* That the local government unit may immediately take possession of the property upon the filing of the expropriation proceedings and upon making a deposit with the proper court of at least fifteen percent (15%) of the fair market value of the property based on the current tax declaration of the property to be expropriated: *Provided, finally,* That, the amount to be paid for the expropriated property shall be determined by the proper court, based on the fair market value at the time of the taking of the property.

³¹ *City of Manila v. Tan Te*, 673 Phil. 562 (2011).

compensation, Section 5,³² Rule 67 of the Rules of Court provides for the appointment of “three (3) competent and disinterested persons as commissioners to ascertain and report to the court the just compensation for the property sought to be taken.” However, concomitant to the discretion afforded to trial courts to ascertain just compensation, “the trial court is not bound by the commissioners’ recommended valuation of the subject property. The court has the discretion on whether to adopt the commissioners’ valuation or to substitute its own estimate of the value as gathered from the records.”³³

Section 8, Rule 67 of the Rules of Court provides that the trial court may either accept or reject in its entirety, or accept in part and reject in part the Commissioners’ Report, or render judgment that shall secure to the plaintiff the property subject of expropriation and to the defendant just compensation of said property taken, *to wit*:

SECTION 8. *Action Upon Commissioners’ Report.* — Upon the expiration of the period of ten (10) days referred to in the preceding section, or even before the expiration of such period but after all the interested parties have filed their objections to the report or their statement of agreement therewith, the court may, after hearing, **accept the report and render judgment in accordance therewith, or, for cause shown, it may recommit the same to the commissioners for further report of facts, or it may set aside the report and appoint new commissioners, or it may accept the report in part and reject it in part and it may make such order or render such judgment as shall secure to the plaintiff the property essential to the exercise of his right of expropriation, and to the defendant just compensation for the property so taken.** (Emphasis supplied)

In view of the Board of Commissioners’ failure to unanimously agree on the just compensation that should be awarded to Philmay, the RTC deemed it proper to adopt portions of each of the commissioners’ individual reports and couple it with its own observation to determine just compensation. The RTC took into account the following: *First*, the classification of the land at the time of the filing of the Complaint was changed to commercial as compared to its previous classification of residential in the year 1994. *Second*, contrary to petitioner’s assertion, the RTC considered the cost for improving the land by ruling that a significant factor to consider was Judge Aquino’s report that the location of the subject property is at a flood-prone area and that it is below the street level, which would require petitioner to fill it up for at least a meter and a half. *Third*, Quiniano’s Market Data Approach and Opinion Survey Report showed that the sales record of the properties along the same

³² Section 5, Rule 67 of the RULES OF COURT provides:

SECTION 5. *Ascertainment of compensation.* — Upon the rendition of the order of expropriation, the court shall appoint not more than three (3) competent and disinterested persons as commissioners to ascertain and report to the court the just compensation for the property sought to be taken. The order of appointment shall designate the time and place of the first session of the hearing to be held by the commissioners and specify the time within which their report shall be submitted to the court.

X X X X

³³ *Republic v. CA*, 612 Phil. 965 (2009).

area ranges from ₱5,000.00 to ₱7,000.00 per sq. m. depending on the size, characteristics of the lot, location, quality, and prospective use. *Fourth*, based on De Guzman's report, the appraisal of the subject property was at ₱5,600.00 per sq. m. on March 20, 2008 and at ₱6,200.00 on November 16, 2011. *Fifth*, the sprouting of new businesses in the area as the years passed, such as commercial and industrial establishments which signify that it has the potential of being developed into a commercial or industrial district, particularly when it is accessible to all types of public transportation, have contributed to the increase of the subject property's value from its previous rate in 1994. Verily, the RTC has cited sufficient bases to justify the just compensation for the subject property at ₱6,000.00 per sq. m.

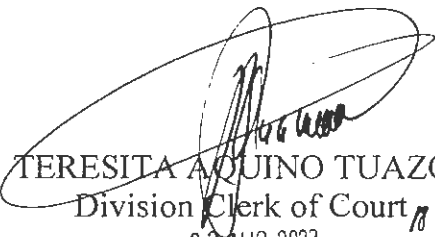
Accordingly, notwithstanding the foregoing clarification on the applicability of RA 8974, the Court rules that the courts *a quo* correctly pegged the just compensation of the subject property at ₱30,000,000.00, or ₱6,000.00 per sq. m.

As a final note, it bears reiterating the rule that issues pertaining to the value of the property subject of expropriation are considered questions of fact, as its determination can only be attained by reception of evidence consisting of reliable and actual data, and the circumspect evaluation thereof.³⁴ As only questions of law should be raised in a petition for review on *certiorari* under Rule 45 of the Rules of Court, the factual issues pertaining to the value of the property expropriated are generally beyond the scope of the judicial review of this Court under said rule.³⁵ While this rule admits of exceptions, none exists in this case.

FOR THESE REASONS, the Petition is **DENIED**. The Decision dated December 1, 2021 and the Resolution dated May 31, 2022 of the Court of Appeals in CA-G.R. CV No. 115606 on the amount of just compensation are hereby **AFFIRMED**.

SO ORDERED."

By authority of the Court:


TERESITA AQUINO TUAZON
Division Clerk of Court
23 AUG 2023

³⁴ *Republic v. Barcelon*, G.R. No. 226021, July 24, 2019.

³⁵ *Republic v. Spouses Goloyuco*, G.R. No. 222551, June 19, 2019.

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